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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 005132

SIPDIS

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TAGS: [ECON](#) [ENRG](#) [EPET](#) [IZ](#)

SUBJECT: IRAQI OIL SECTOR UNDER STRESS

REF: A. A) BAGHDAD 4998

[B. B\) BAGHDAD 5073](#)

[C. C\) KIRKUK 302](#)

Classified By: Charge d'Affaires David C. Litt for Reasons 1.4 (B) and (D)

1. (SBU) SUMMARY: Fuel supplies in Iraq remain scarce, and the country may face regional outages. Deputy Prime Minister Chalabi, as acting Minister of Oil, was informed of the deteriorating fuel situation and urged to act by A/DCM and the acting IRMO director. National refinery capacity has dropped sharply due to pipeline interdictions, reports of intimidation, and scheduled maintenance. Imports of refined fuels have restarted across the Turkish border, and crude exports via the Iraq-Turkey Oil Pipeline to Ceyhan were reported. Basra Governorate is still resisting the IMF mandated fuel price rise for gasoline. END SUMMARY.

FUEL STATUS

2. (SBU) Fuel supplies across Iraq remain short as of December 26. Baghdad days-of-supply (DOS) levels for diesel decreased from 1.3 to 1.1, kerosene decreased from 19.7 to 18.4, and gasoline decreased from 4.4 to 4.2. Liquid propane gas (LPG) availability improved, with DOS increasing from 3.6 to 4.3. At the national level, days-of-supply for diesel decreased from 4.7 to 4.4, kerosene decreased from 8.3 to 8.1, gasoline decreased from 6.2 to 6.0, and LPG increased from 15.3 to 15.6.

REFINERIES AND PIPELINES

3. (SBU) Bayji Refinery is shut down due to its product storage tanks being full. The 22-inch product line from Bayji to Baghdad was repaired. However, no product was moved to Baghdad during December due to intimidation of pump station operating crews. On December 25 the 22-inch pipeline was noted to have a new leak in the vicinity of the Thar Thar Canal. Movement of fuel products by truck from Bayji was also halted due to intimidation. Locals with guns are reportedly not allowing 36 government trucks and 300 privately-owned trucks to drive into the fuel off-load dock in the distribution yard to load up on refined product and deliver fuel to Baghdad. The Director General of Distribution has requested MNF-I provide security escorts for the fuel trucks to get half the distance to Baghdad. One of the Ministry of Oil (MOO) Directors General has requested support from MNF-I to fly up and review the refinery for an assessment.

4. (SBU) Daura refinery has seen a decline in production due to the refinery only receiving crude oil by truck from the Naft Khaneh and Kirkuk oil fields. Daura Refinery is currently operating at about 31 percent capacity. The 18-inch strategic crude oil pipeline to Daura needs to be repaired after an interdiction in the south. The repair crews reportedly have been threatened and left the work site. MNF-I security forces are available for link-up with the repair crews when the crews are convinced to return to the repair site. The Director General (DG) for the Oil Pipeline Company will provide MNF-I an update on pipeline repairs and has established local tribal security. Daura refinery will continue to get crude oil by truck to maintain refinery operations, but it will not be enough to sustain full refining capacity.

5. (SBU) Basra refinery is at 50 percent refining capacity due to half of the plant having been shut down for scheduled maintenance.

6. (SBU) Total refinery capacity is now reduced to only 25 percent of installed national refining capacity, including the current production of all the small isolated refineries in Iraq.

FUEL PRICE DISPUTE CONTINUES IN SOUTH

7. (SBU) The DG for Distribution has asked assistance from the U.S. Embassy to persuade the Prime Minister to force the

Basra Governorate and three other southern provinces to allow distribution employees to emplace the new gasoline prices on the retail sales pumps in the south. Basra Governorate currently will not allow the MOO employees to place the new gasoline prices on the pumps in the south. The DG stated he feels as though the Oil Minister is no help in the price dispute. Despite lack of cooperation in changing gasoline prices, new prices for LPG, kerosene, and diesel have been implemented in the south.

IMPORTS AND EXPORTS

18. (SBU) Fuel imports from Turkey have resumed, and the trucker strike impacting fuel imports during the period December 17-24 was settled with the help of the Turkish Government. Additional fuel imports are currently crossing from Syria, Iran and Kuwait into Iraq. According to international news reports, Iraq transported 350,000 barrels of oil to the port of Ceyhan, Turkey during December 22-24.

DPM CHALABI INFORMED OF OIL SECTOR PROBLEMS

19. (C) DPM Chalabi is currently acting Minister of Oil while the Minister of Oil is out of the country. A/DCM and IRMO Acting Director met with Chalabi on December 26 to inform him of the Bayji refinery distribution and Basra fuel price problems. We recommended to the DPM that the MOO DG for Distribution take charge of the Bayji refinery from apparent criminal elements obstructing the distribution of fuel products. DPM concurred and agreed to send the DG for the Oil Protective Forces (OPF) and the DG for Distribution to Bayji refinery to make an on-the-ground assessment of the situation on December 27. We recommended that the DPM attempt to use the OPF forces to restore order prior to requesting additional support from the MNF-I and the Iraqi Army. The DPM said that, if necessary, he would go to Bayji refinery himself. The DPM agreed to chair a meeting of the Steering Group for Critical Infrastructure Integrity on December 28 to review the situation. The DPM was also informed of the resistance to the increase in fuel price for gasoline in the Basra Governorate. We recommended the GOI implement the fuel price increase for gasoline across the entire nation, including the Basra region.

COMMENT

110. (SBU) COMMENT: The trend for fuel availability in Iraq is negative unless the distribution restrictions at Bayji refinery are alleviated. Spot outages of fuel are expected during the next two days, particularly in Baghdad, with diesel fuel being the first to be exhausted, followed by gasoline.

111. (C) DPM Chalabi informed us on December 27 that refined product is now being trucked out of Bayji refinery. He said he had directed that trucks from Baghdad be sent to Bayji to pick up fuel for delivery to Baghdad and that local truck drivers were filling tankers for regional deliveries. Chalabi explained that he had asked the Governor of Tikrit to send police forces to the refinery to solve the fuel distribution obstruction problem. Chalabi acknowledged that he needed to monitor the situation at Bayji and promised to review his actions and update us at the meeting of the Steering Group for Critical Infrastructure Security on December 28. END COMMENT.
KHALILZAD